

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7612

BILL NUMBER: HB 1379

DATE PREPARED: Jan 5, 2001

BILL AMENDED:

SUBJECT: Sales Tax on Motor Fuel.

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**FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill provides that an amount equal to the total amount of sales taxes collected on gasoline and special fuel each month is to be transferred from the State General Fund to the Local Road and Street account. The bill makes conforming changes.

Effective Date: July 1, 2001.

Explanation of State Expenditures: The bill may require minor administrative changes within the Department of State Revenue and the Auditor of State's Office. Any costs associated with these changes are expected to be minimal and to be covered using existing staff and resources.

Explanation of State Revenues: This bill changes the distribution of revenue received from the sales tax collected on gasoline and special fuels. Under current law, revenue from the sales tax on motor fuels is distributed, as is revenue from all Gross Retail (Sales) and Use taxes, in the following manner: the State General Fund (59.03%), the Property Tax Replacement Fund (40.00%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.17%), and the Industrial Rail Service Loan Fund (0.04%). This bill will, in effect, redistribute the revenue collected on gasoline and special fuels from the General Fund to the Local Road and Street Account. The bill will not affect how revenue is distributed to the other funds that receive sales tax revenue.

The sales tax on gasoline and special fuels is expected to generate approximately \$135.8 M in FY 2002. Under this proposal, approximately \$80.2M (59.03% of the sales tax revenue collected on gasoline and special fuels) of that revenue that would have been deposited in State General Fund for general fund purposes under current law will instead be transferred from the General Fund to the Local Road and Street Account. Due to the timing of remittance and posting of motor fuel sales tax returns, however, a portion of the revenue generated during FY 2002 may not be available for distribution until FY 2003.

The following table illustrates how these funds would effectively be distributed under current law and under the changes proposed in this bill.

Estimated FY 2002 Sales Tax Revenue on Gasoline and Special Fuels, as distributed under current law and with the proposed changes.			
Fund	Current Law	Proposed Law	Difference
State General Fund	80,165,279	-0-	(80,165,279)
Property Tax Replacement Fund	54,321,720	54,321,720	-0-
Public Mass Transportation Fund	1,032,113	1,032,113	-0-
Commuter Rail Service Fund	230,867	230,867	-0-
Industrial Rail Service Fund	54,322	54,322	-0-
Local Road and Street Account	-0-	80,165,279	80,165,279
Total	\$ 135,804,301	\$ 135,804,301	-0-
Note: This table assumes twelve months of sales tax revenue collection. The timing of the posting and remittance of funds could cause the distribution of up to 20% of the projected amount to be delayed until FY 2003.			

Background Information: Future sales tax collections on gasoline and special fuels are contingent upon the price and quantity of fuel consumed by motorists in Indiana. The above estimate is a projection based on historical consumption data provided by the Department of State Revenue and projected fuel prices from the U.S. Department of Energy, Office of Energy Information. The data were adjusted for inflation and the expected growth in Indiana income. It is important to note that fluctuations in the price of gasoline will affect the amount of sales tax revenue collected.

Explanation of Local Expenditures:

Explanation of Local Revenues: Under this proposal local entities would receive an additional \$32.8 M in CY 2001 and \$81.6 M in CY 2002. As noted above, not all of the sales tax revenue collected in FY 2002 will be distributed by the end of the fiscal year. Detailed information regarding the proposed distributions to local entities is available from the Legislative Services Agency.

State Agencies Affected: Indiana Department of Transportation; Department of State Revenue; Auditor of State.

Local Agencies Affected: All Counties, Cities, and Towns.

Information Sources: Department of State Revenue; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Department of Energy, Energy Information Agency.